

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2008-155-G - ORDER NO. 2010-____
OCTOBER __, 2010

IN RE:

Petition of South Carolina Electric & Gas)
Company for an accounting order)
authorizing the deferment and amortization)
of expenditures made in connection with its)
gas water heater rebate program.)
_____)

**PROPOSED ORDER GRANTING
PETITION FOR AN
ACCOUNTING ORDER**

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the Petition of South Carolina Electric & Gas Company (“SCE&G” or “Company”) for an accounting order for regulatory accounting purposes authorizing SCE&G to increase the amount of its natural gas water heater rebate incentive offered to developers of new multi-family apartment projects and to defer as a regulatory asset and amortize all rebates made by the Company in connection with its modified natural gas water heater rebate program.

According to the Company, the request for relief does not involve a change to any of the Company’s retail rates or prices at this time, or require any change in any Commission rule, regulation, or policy. Further, the Company asserts that the issuance of the requested accounting order will not prejudice the right of any party to address these issues in a filing made pursuant to the Natural Gas Rate Stabilization Act under S.C. Code Ann. § 58-5-410 et seq. (“RSA”) or subsequent general rate case proceeding; therefore, no notice or hearing is required.

In the mid-1980s, SCE&G implemented a natural gas water heater program to encourage the use of gas water heaters by offering a \$200 rebate as an incentive for residential customers or builders of new residential construction to choose natural gas as the fuel of choice for water heating. While natural gas customers who choose to install natural gas water heaters or convert their existing water heating appliance to use natural gas benefit from the financial incentive, all SCE&G natural gas customers benefit from any new loads generated because SCE&G's fixed system costs are distributed over a larger customer base.

In Commission Order No. 89-1074, Docket No. 89-245-G, we allowed the costs and expenses of the natural gas water heater rebate program to be included in the operations and maintenance portion of the base rates, noting that the natural gas water heater rebate program had "achieved positive goals" and that it "should be beneficial to the Company's overall body of customers." See Order No. 89-1074 at page 19.

More recently, SCE&G has encountered an increasing number of developers of new construction multi-family apartment projects who will not offer natural gas as an energy source because of the additional infrastructure costs associated with plumbing and venting gas appliances. To encourage these developers to offer natural gas as an energy source, SCE&G proposes to modify its natural gas water heater rebate program by increasing the rebate incentive an additional \$300 (from the current \$200 rebate incentive) for new multi-family apartment projects only, thereby providing up to a \$500 total rebate incentive to new multi-family apartment projects that install a minimum of natural gas water heating.

In order to implement this additional incentive for new multi-family apartment projects, and consistent with the accounting treatment we approved in Order No. 89-1074, SCE&G also

requests authority to place the expense of the revised natural gas water heater rebate program into a deferred account and amortize such annual expenditures over a five-year period.

The South Carolina Office of Regulatory Staff (“ORS”) is automatically a party in this docket as a matter of law pursuant to S.C. Code Ann. § 58-4-10(B) (Supp. 2009). By letter dated April 23, 2008, ORS informed the Commission that it has reviewed the Petition and does not oppose the accounting treatment requested by SCE&G regarding the deferment and amortization of expenditures made in connection with the Company’s gas water heater rebate.

Based upon the foregoing, the Petition for an accounting order is granted. By modifying its natural gas water heater rebate program, the Company will better serve the needs of its customers. The proposed modifications to the natural gas water heater rebate program will expand SCE&G’s customer base which will benefit all of SCE&G’s natural gas customers; the addition of new customers from multi-family apartment projects to SCE&G’s existing customer base will allow SCE&G to spread fixed costs among a greater number of customers.

NOW THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. SCE&G is hereby authorized to modify its natural gas water heater program by increasing the rebate incentive an additional \$300 (from the current \$200 rebate incentive) for multi-family apartment projects only, thereby providing up to a \$500 total rebate incentive to new multi-family apartment projects that install a minimum of natural gas water heating.

2. The accounting treatment requested herein is consistent with the accounting treatment previously approved by this Commission in Order No. 89-1074, and SCE&G is hereby authorized to defer and amortize all rebates made by the Company in connection with its revised natural gas water heater rebate program described above.

3. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

John E. Howard, Chairman

ATTEST:

David A. Wright, Vice Chairman

(SEAL)